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October 10, 2006

Daniel J. Avera, Chief

Division of Environmental Health Services
385 North Arrowhead Avenue, Second Floor
San Bernardino, CA 92415-0160

**SUBJECT: CASH CONTROLS AUDIT OF VICTORVILLE ENVIRONMENTAL
HEALTH**

Introductory Remarks

In compliance with Article V, Section 6 of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, Chapter 3 of the Internal Controls and Cash Standards Practice Manual, we have completed a surprise audit of Cash Controls at Victorville Environmental Health on September 29, 2005. Our audit included, but was not limited to, cash counts and observations of control activity performance.

Scope of Audit

We conducted our audit according to the "Standards for Professional Practice of Internal Auditing" published by the Institute of Internal Auditors and the provisions of the San Bernardino County Internal Controls and Cash Standard Practice Manual.

During the audit we verified controls were present and that the cash funds were used for their authorized purpose. Victorville Environmental Health has a change fund in the amount of \$50.

Conclusion

In our opinion, the internal controls over imprest accounts at Victorville Environmental Health are adequate, but need improvement.

Finding and Recommendation

During our testing of cash controls, we became aware of matters that we consider opportunities for strengthening internal controls over cash. Based on the results of our audit, we identified one reportable finding.

Finding 1: Improvement needed over the safeguarding of the change fund.

Per the Internal Controls and Cash Manual Chapter 3 pg. 3-3 "Cash Control", the combination of the safe must be changed annually. During business hours, cash should be accessible to only authorized persons. The County Internal Controls and Cash Manual chapters 5 and 6, requires the cash custodian to count and sign for the change fund in his or her possession at the start and end of each business day. Furthermore, cash shortages and losses must be reported to the proper entities immediately. During the field visit, it was observed that:

- The combination of the safe was not changed for over a year.
- No formal documentation is maintained by management for those employees authorized to have the safe combination.
- The cash was kept in the safe, but the key to the safe was in the overhead cabinet accessible to unauthorized employees.

The lack of effective control over the security of the safe key and combination, and lack of compliance with County internal control and cash manual increases the risk of losing cash and susceptibility to theft.

Recommendation

The Director of Environmental Health should ensure the following procedures are developed and implemented at the Victorville office:

- Immediately change the combination of the safe, and annually thereafter.
- Obtain written authorization from the supervisor authorizing the employee to have the safe combination.
- Maintain a log of employees having the combination and key to the safe.
- Keep the safe key in a locked drawer or cabinet inaccessible to unauthorized employees.
- The cash fund custodian should count and reconcile the change fund to the authorized fund amount at the end of each business day.

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We would like to express our appreciation to your staff for their support and cooperation during the audit of cash controls.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By:

Asdghik Kiwanian
Internal Auditor II
Internal Audits Section

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